

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/12/07

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
NOTES TO FINANCIAL STATEMENTS	5
OTHER INDEPENDENT AUDITORS' REPORTS AND FINDINGS AND RECOMMENDATIONS	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	13
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	14

SILVA & ASSOCIATES, LLC

Certified Public Accountants

Craig A. Silva, CPA
Brent A. Silva, CPA
Tom A. Gurtner, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southeastern Development Foundation, Inc.
Hammond, Louisiana

We have audited the accompanying statement of financial position of Southeastern Development Foundation, Inc. (a Louisiana non-profit corporation) as of June 30, 2007, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeastern Development Foundation, Inc. as of June 30, 2007, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007 on our consideration of Southeastern Development Foundation, Inc.'s internal control over financial reporting and on our tests of that compliance with certain provisions of laws, regulations, contracts, and grants agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 30, 2007

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SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

ASSETS

Cash and cash equivalents	\$ 2,715,879
Receivables	303,305
Investments	12,524,709
Property and equipment, net	4,957,914
Construction in progress	129,504
Donated land	<u>2,795,930</u>
TOTAL ASSETS	<u>\$ 23,427,241</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accrued liabilities	\$ 137,166
Deferred rents	1,336,759
Agency funds	<u>1,508,470</u>
Total Liabilities	2,982,395
Net Assets	
Unrestricted	223,583
Temporarily restricted	8,730,631
Permanently restricted	<u>11,490,632</u>
Total Net Assets	<u>20,444,846</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,427,241</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Support, and Reclassifications				
Contributions	\$ 14,500	\$ 402,147	\$ -	\$ 416,647
Scholarships, assistantships, and awards	-	138,350	419,739	558,089
Programs	-	1,009,213	24,086	1,033,299
Fundraising	26,494	52,722	-	79,216
Interest and dividends	147,350	68,557	184,871	400,778
Other revenue	-	123,531	-	123,531
Gains/(losses) on investments	103,930	39,293	656,657	799,880
Net assets released from restrictions				
Satisfaction of program restrictions	1,838,206	(1,624,694)	(213,512)	-
Total revenue, support and reclassifications	2,130,480	209,119	1,071,841	3,411,440
Expenses				
Restricted				
Scholarships, assistantships, and awards	206,847	-	-	206,847
Departmental	335,626	-	-	335,626
Programs	929,196	-	-	929,196
Capital outlay and depreciation	153,025	-	-	153,025
Endowment				
Scholarships, assistantships, and awards	213,512	-	-	213,512
Salaries and wages	47,553	-	-	47,553
Payroll taxes and benefits	10,437	-	-	10,437
Professional fees	34,626	-	-	34,626
Fundraising	28,666	-	-	28,666
Other expenses	80,975	-	-	80,975
	<u>2,040,463</u>	<u>-</u>	<u>-</u>	<u>2,040,463</u>
Changes in net assets	90,017	209,119	1,071,841	1,370,977
Net Assets				
Beginning of year	<u>133,566</u>	<u>8,521,512</u>	<u>10,418,791</u>	<u>19,073,869</u>
End of year	<u>\$ 223,583</u>	<u>\$ 8,730,631</u>	<u>\$ 11,490,632</u>	<u>\$ 20,444,846</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

Cash Flows From Operating Activities	
Change in net assets	\$ 1,370,977
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	153,025
Interest, dividends, fees, and realized (gains)/losses on investments	(768,123)
Unrealized (gains)/losses on investments	(391,409)
(Increase)/decrease in other receivables	(99,519)
Increase/(decrease) in accrued liabilities	107,656
Increase/(decrease) in deferred rents	<u>168,379</u>
Net cash provided by operating activities	540,986
Cash Flows From Investing Activities	
Purchases of property, plant, and equipment	(270,271)
Disbursements for construction expenses	540,539
Proceeds from sales/maturities of investments	3,437,699
Purchases of investments	<u>(3,818,133)</u>
Net cash used in investing activities	<u>(110,166)</u>
Net increase in cash and cash equivalents	430,820
Cash and Cash Equivalents	
Beginning of year	<u>2,285,059</u>
End of year	<u>\$ 2,715,879</u>

The accompanying notes are an integral part of this statement.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Organization

Southeastern Development Foundation, Inc. (the Foundation) was incorporated on April 17, 1963 under the provisions of Louisiana Revised Statutes 12:101-155 as a non-profit corporation. The Foundation was formed to promote and support, on all levels, the Southeastern Louisiana University (SLU) program, including the solicitation and acceptance of donations for the purpose of providing scholarships and other benefits for the university, its faculty, and its students.

Basis of Accounting

The accompanying financial statements of the Southeastern Development Foundation, Inc. have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of Presentation

Net assets of the Foundation and changes therein are classified and reported as follows:

- a) Unrestricted net assets are not subject to donor-imposed stipulations.
- b) Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of the Foundation and/or the passage of time.
- c) Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Permanently restricted assets are primarily comprised of the original endowment gift given to the Foundation by donors. Generally, the donors of these assets permit the Foundation to use all or part of the income from these assets.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with purchased maturities of three months or less.

Unconditional Promises to Give

Pursuant with the Foundation's policy and in conformity with SFAS No. 116, the Foundation records certain promises to give as revenue when the promise is made.

Conditional Promises to Give

Pursuant with the Foundation's policy and in conformity with SFAS No. 116, the Foundation does not recognize conditional promises to give as revenue until the condition is met or the pledges are received.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Investments

Investments are stated at the readily determinable fair market value in accordance with Statement of Financial Accounting Standards No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

Investments are carried at fair value. The fair value of equity and debt instruments is based on the quoted market price of the underlying securities. Real estate investments, which were received by gift, are carried at an independently appraised market value as of the date of acquisition. Gains and losses realized on the sale of investments are determined using an average cost method for securities and the specific identification method for real estate and other investments. Gains and losses are realized on the trade date for investments.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment donated to the Foundation are recorded at their fair market values at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets on a straight-line basis over lives ranging from 5 to 40 years.

Agency Funds

Agency funds consist of assets held for others, primarily Southeastern Louisiana University.

Income Tax Status

Under provisions of the Internal Revenue Code, Section 501 (c) (3), and the applicable income tax regulations of Louisiana, the Foundation is exempt from taxes on income other than unrelated business income. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi). Since the Foundation had no net unrelated business income during the year ended June 30, 2005, no provision for income tax was made.

Receivables

Receivables consist of a note receivable from a related party, funds due from Southeastern Louisiana University, and contract receivables. The Foundation carries accounts receivable at cost.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Fair Values of Financial Instruments

The Foundations financial instruments, excluding investments which are described in Note B, include cash and cash equivalents and receivables. The Foundation estimates that the fair value of these instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE B – INVESTMENTS

Investments in debt securities and equity securities with readily determinable fair values are stated at their fair value based on quoted market prices and other fair value information. The value assigned to investments received by gift is the market value at the date of donation. Interest and dividends are shown net of investment fees of \$28,039, for the year ended June 30, 2007. Investments are comprised of the following as of June 30, 2007.

	Fair Value
Debt instruments	\$ 2,942,178
Equity securities	1,088,945
Mutual and money market funds	8,493,586
	<u>\$ 12,524,709</u>

NOTE C – RECEIVABLES

The Foundation paid on behalf of Southeastern Athletics Association, Inc., a note payable owed to a bank during the year ended June 30, 2004. The parties signed a promissory note with payments of principal and interest due annually for four years, at a rate of 4.5%. The amount due from this related party at June 30, 2007 was \$50,085.

As of June 30, 2007, \$66,667 was due on a contract receivable, and a contribution receivable of \$186,553 was recorded as a result of a May 31, 2007 court settlement in which the Association was neither plaintiff nor defendant.

NOTE D – NET ASSETS

Temporarily restricted net assets at June 30, 2007 consisted of the following:

Scholarships and university program support	\$ 1,503,264
Livingston Literacy Center	5,455,241
University affiliated research program	1,772,126
	<u>\$ 8,730,631</u>

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D- NET ASSETS - CONTINUED

Permanently restricted net assets at June 30, 2007 consisted of the following:

Endowed gifts to be held in perpetuity with income to be used for:

Scholarships	\$ 10,963,285
Columbia Theater	<u>527,347</u>
	<u>\$ 11,490,632</u>

During the course of the fiscal year ended June 30, 2007, net assets whose use by the Foundation was subject to donor-imposed restrictions were fulfilled by actions of the Foundation, pursuant to those restrictions, the expiration of time, or the designation of law. These net assets are shown in the statement of activities as net assets released for satisfaction of program restrictions from temporarily restricted and permanently restricted in the amounts of \$1,624,694 and \$213,512, respectively.

NOTE E - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2007 follows:

Building	\$ 5,132,548
Furniture	<u>123,558</u>
	5,256,106
Accumulated Depreciation	<u>(298,192)</u>
	<u>\$ 4,957,914</u>

For the year ended June 30, 2007, depreciation expense was \$153,025.

NOTE F - UNIVERSITY TRANSACTIONS

During the fiscal year ended June 30, 2007, the Foundation occupied office space in a building constructed by Southeastern Louisiana University Alumni Association, Inc. Under the terms of a lease agreement for the land housing the facilities between the Board of Trustees for State Colleges and Universities (Landlord), and the Southeastern Louisiana University Alumni Association, Inc. (Tenant), the Landlord assumed responsibility for repair, maintenance, taxes, and insurance coverage for the facility, and the Tenant agreed to sublease approximately 3,000 square feet of office space to Southeastern Louisiana University, including the space housing the Southeastern Development Foundation, Inc. The value of the facilities used by the Foundation was not reasonably determinable; therefore, no related donation or expense is recorded. In accordance with Louisiana Revised Statutes LSA-RS 17:3390, the Foundation is of the opinion that all expenditures and in-kind services, except unrestricted funds used for administration, benefit the University. These amounts greatly exceed the cost of housing, personnel, and other support furnished to the Foundation by the University. During the fiscal year, the Foundation reimbursed the University \$470,270 for salaries, expenses paid by the University on behalf of the Foundation and for student scholarships. As of June 30, 2007, the Foundation owes the University \$8,719 for these types of expenses.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE G – CONTINGENCIES

On February 5, 1998, the Foundation entered into an investment agreement with Southeastern Louisiana University (SLU). Under the terms of this agreement, the Foundation as an agent for SLU, holds funds for an endowed chair and provides investment review and management of these funds. The agreement also stipulates that if the principal amount as of June 30th of each year falls below the endowment base, the Foundation must use other revenues to restore the principal amount to the endowment base. As of June 30, 2007, the endowment base is \$1,379,377 and the fair value of the account is \$1,508,470 causing a \$129,093 surplus.

NOTE H – CONCENTRATIONS OF CREDIT RISK DUE TO TEMPORARY CASH INVESTMENTS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places their temporary cash investments with an investment brokerage firm. As of June 30, 2007, the Foundation had uninsured balances in the amount of \$7,462,405.

NOTE I – CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Foundation maintains cash balances at several financial institutions located in Hammond, Louisiana. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The Foundation's cash was in excess of the FDIC insurance by \$1,977,331 at June 30, 2007. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

NOTE J – COMMITMENTS

The Foundation has committed funds to install a Marquee Sign on the Columbia Theatre. As of June 30, 2007, total project cost is estimated at \$129,504.

NOTE K – DEFERRED RENTS

On June 18, 2002, the Foundation entered into a cooperative endeavor agreement with the Livingston Parish School Board and the Livingston Educational Public Benefit Corporation to rent the Livingston Parish Literacy Center for a term of twenty five years as an education facility. Rental payments were to commence upon substantial completion of the facility constructed under court order. Total amount received during the year ended June 30, 2007 was \$1,260,475, of which \$92,095 was recognized as income for the year with a balance of \$1,336,759 deferred as of June 30, 2007.

OTHER INDEPENDENT AUDITORS' REPORT

SILVA & ASSOCIATES, LLC

Certified Public Accountants

Craig A. Silva, CPA
Brent A. Silva, CPA
Tom A. Gurtner, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Southeastern Development Foundation, Inc.
Hammond, Louisiana

We have audited the financial statements of Southeastern Development Foundation, Inc. (a non-profit corporation), as of and for the year ended June 30, 2006 and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern Development Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southeastern Development Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southeastern Development Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southeastern Development Foundation, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Southeastern Development Foundation, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, others within the Foundation and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Silva & Associates, LLC

October 30, 2007

**SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	X	no
Significant deficiencies identified			
not considered to be material weaknesses?	_____ yes	X	none reported
Noncompliance material to financial statements noted?	_____ yes	X	no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Not applicable.
Significant deficiencies identified	
not considered to be material weaknesses?	Not applicable.
Type of auditors' report issued on compliance for major programs:	Not applicable.
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	Not applicable.

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

Not applicable.

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk audit?	N/A
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**Section II - Internal Control & Compliance
Governmental Auditing Standards**

Internal Control

<u>Item Number</u>	<u>Agency/Program</u>	<u>Questioned Costs</u>
Not applicable.		

Section III - Management Letter

Not applicable.

SOUTHEASTERN DEVELOPMENT FOUNDATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

RefNo.	Fiscal Year Finding Initially Occurred	Description	Corrective	Planned Corrective	Additional Explanation
			Action Taken (Yes, No, Partially)	Action/Partial Corrective Action Taken	
Section I - Compliance and Internal Control Material to the Financial Statements					
99-2	06/30/99	Foundation's present general ledger system does not produce summarized financial reports to facilitate the preparation of financial statements in accordance with generally accepted accounting principles.	No	The Foundation is coordinating with the University to integrate to their new system.	The University is currently working on several software problems relating to the integration of the software with the Foundation. It is the Board's decision not to integrate the software programs until all the pertinent issues regarding the software are resolved.

Section II - Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III - Management Letter

Not applicable.